

Message Text

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TAGS: ECON, PO

SUBJ: MARIO MURTEIRA PRESS CONFERENCE

REF: LISBON 1963

SUMMARY: IN FIRST PRESS CONFERENCE SINCE BECOMING MINISTER
FOR PLANNING AND ECONOMIC COORDINATION, MARIO MURTEIRA SAID
1974 BALANCE OF PAYMENTS DEFICIT WAS ON ORDER OF 670 MILLION
DOLLARS AND CURRENT RESERVES ARE ABOUT 1.6 BILLION DOLLARS;
FOREIGN CAPITAL AND TECHNOLOGY OF MULTINATIONALS IS NECESSARY;
LARGE PRIVATE SECTOR WILL CONTINUE; PRIORITY WILL BE GIVEN
TO PRODUCTIVE EMPLOYMENT; AND COLLECTIVE CONTRACT LEGISLATION
WILL BE ISSUED SOON TO ATTAIN "CLEAR QUILIBRIUM" IN LABOR

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RELATIONS. END SUMMARY.

1. ON APRIL 21 MARIO MURTEIRA GAVE FIRST PRESS CONFERENCE SINCE BECOMING MINISTER FOR PLANNING AND ECONOMIC COORDINATION. MAINT POINTS:

A. ECONOMIC SITUATION. EARLY 1974 INFLATION RATE OF 30 PERCENT (MUCH OF IT IMPORTED) HAS BEEN REDUCED TO ABOUT 20 PERCENT MEDIAN RATE. BY END OF 1974 UNEMPLOYMENT REACHED 6-7 PERCENT, WHILE INVESTMENT LEVEL WAS REDUCED BY 4-5 PERCENT. 1974 CURRENT ACCOUNTS BALANCE OF PAYMENTS DEFICIT WAS ON ORDER OF 670 MILLION DOLLARS. CURRENT RESERVES ARE "40-ODD BILLION ESCUDOS." (1.6-ODD BILLION DOLLARS). IMPORTS IN 1974 INCREASED BY 50 PERCENT OVER 1973 LEVEL. SALARY RAISES IN 1974 WERE ON ORDER OF 30 PERCENT, BUT SOME SECTORS SUFFERED REDUCTION IN REAL TERMS.

B. FOREIGN TIES. SMALL ECONOMY LIKE PORTUGAL'S CAN NEVER BE ISOLATED--WE ALWAYS WILL HAVE TO HAVE FORMS OF EXTERNAL ECONOMIC COOPERATION. AT THIS MOMENT, IN THIS PHASE, FOREIGN CAPITAL IS NECESSARY. MULTINATIONALS ARE NEEDED TO PROVIDE MODERN TECHNOLOGY. SPECIAL INVESTMENT CODE AND NEGOTIATIONS WILL CONSIDER MUTUAL INTERESTS WITHIN SOVEREIGN AND PROGRESSIVE STATE.

C. JUNCTURE OF SYSTEMS. COUNTRY HAS ARRIVED AT JUNCTURE BETWEEN DESTRUCTION OF OLD ECONOMIC SYSTEM AND RECONSTRUCTION ALONG NEW PATH. NATIONALIZATION AND OTHER RECENT DECISIONS ARE DECISIVE STEPS TOWARD DEMOCRATIZING ECONOMY. DESPITE NATIONALIZATIONS, CONTINUANCE OF A LARGE PRIVATE SECTOR IS GUARANTEED. ANTI-MONOPOLIST STRUGGLE HAS BEEN LARGELY SPONTANEOUS, AND NOT CONTROLLED BY ANY POLITICAL POWER.

D. PRODUCTIVE EMPLOYMENT. BESIDES UNEMPLOYMENT, ECONOMY SUFFERS FROM UNDEREMPLOYMENT (LOWER PRODUCTIVITY, REDUCED WORK HOURS) AND UNDERUTILIZATION OF EQUIPMENT. REVOLUTIONARY COUNCIL INTENDS TO GIVE PRIORITY TO PRODUCTIVE EMPLOYMENT. ALTHOUGH TENDING TOWARD SYSTEM WHERE ECONOMIC PLANNING HAS FUNDAMENTAL ROLE, COUNTRY WILL TAKE ADVANTAGE OF ALL VALID EXPERIENCES OF WORKER CONTROL. NATIONALIZATIONS HAVE NOT LED TO PARALYZATION OF MIDDLELEVEL DECISION-MAKING. EXCESSIVE CENTRALIZATION IS UNDERSIRABLE FROM BOTH POLITICAL AND LIMITED OFFICIAL USE

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EFFICIENCY STANDPOINTS.

E. LABOR RELATIONS. THERE IS NO INTENTION OF CREATING NEW FORMS OF STRIKE "CONTROL." LEGISLATION SOON TO BE ISSUED ABOUT COLLECTIVE CONTRACTS WILL SEEK TO ATTAIN "CLEAR EQUILIBRIUM" IN WORKER-COMPANY RELATIONS.

2. COMMENT: RESERVES FIGURE GIVEN BY MURTEIRA IS TOO

IMPRECISE TO COMPARE WITH LATEST AVAILABLE OFFICIAL FIGURES.
HOWEVER, IF AT ALL CLOSE TO 40 BILLION ESCUDOS, THIS WOULD BE
EQUIVALENT TO 1.57 BILLION DOLLARS, DOWN FROM LATEST AVAILABLE
FIGURES OF 2.091 BILLION ON DECEMBER 25, 1974, AND INDICATE
FURTHER BALANCE OF PAYMENTS DETERIORATION. BANK OF PORTUGAL
GOVERNOR JACINTO NUNES RECENTLY TOLD US THAT GOLD RESERVES WOULD
PROBABLY HAVE TO BE REVALUED BEFORE END OF YEAR. EXHAUSTING OF
FOREIGN EXCHANGE RESERVES AND NEED FOR DECISION ON REVALUING GOLD
MIGHT COME EVEN EARLIER THAN THAT. GOVERNMENT'S OWN UNOFFICIAL
PROJECTIONS BASED ON LAST YEAR'S BALANCE OF PAYMENTS TREND
INDICATED END OF FOREIGN EXCHANGE RESERVES BY OCTOBER. GOLD
RESERVES AT OFFICIAL PRICE CURRENTLY STAND AT 1.207 BILLION
DOLLARS.
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